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Containing Russia

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Summary: Russia's imperial ambitions did not end with the fall of the Soviet Union. The Kremlin has returned to expansionism, trying to recapture great-power status at the expense of its neighbors, warns one of Ukraine's most prominent politicians. The United States and Europe must counter with a strong response -- one that keeps Russia in check without sparking a new Cold War.

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THE SOURCES OF RUSSIAN CONDUCT

Sixty-one years ago, a telegram arrived at the State Department from the U.S. embassy in Moscow. Its purpose was to examine the sources of the conduct of the men who ruled in the Kremlin. Its impact was immediate. The "Long Telegram," penned by a young diplomat named George Kennan, became the basis for U.S. policy toward the Soviet Union for the next half century.

Although the Soviet Union is long gone, the West is once again groping to understand what motivates the leaders in the Kremlin. Many believe that the principles behind Kennan's policy of "containment" are still applicable today -- and see a new Cold War, this time against Vladimir Putin's resurgent Russia, in the offing.

I do not believe that a new Cold War is under way or likely. Nevertheless, because Russia has indeed transformed itself since Putin became president in 2000, the problem of fitting Russia into the world's diplomatic and economic structures (particularly when it comes to markets for energy) raises profound questions. Those questions are all the more vexing because Russia is usually judged on the basis of speculation about its intentions rather than on the basis of its actions.

In the aftermath of communism's collapse, it was assumed that Russia's imperial ambitions had vanished -- and that foreign policy toward Russia could be conducted as if former diplomatic considerations did not apply. Yet they must apply, for Russia straddles the world's geopolitical heartland and is heir to a remorseless imperial tradition. Encouraging economic and political reform -- the West's preferred means of engaging Russia since communism's end -- is of course an important foreign policy tool. But it cannot substitute for a serious effort to counter Russia's long-standing expansionism and its present desire to recapture its great-power status at the expense of its neighbors.

THE RUSSIAN JANUS

Thanks to high energy prices, the chaotic conditions that prevailed across Russia in the early 1990s have given way to several years of 6.5 percent annual economic growth and a trillion-dollar economy. Living standards have improved (although life expectancy has not), the middle class is growing and increasingly confident, and the stock market is booming. Russia possesses the third-largest hard-currency reserves in the world, and it is running a huge current account surplus and paying off the last of the debts it accumulated in the early 1990s. The ruble has been made fully convertible and may even be undervalued. Russian membership in the World Trade Organization (WTO) beckons. Ordinary Russians are grateful to Putin for the country's stability and economic growth, and they are proud that Russia appears to matter when great global issues are debated. No wonder, then, that Putin's popularity rating is around 70 percent -- a sustained achievement that any politician would envy.

Yet, for every step forward that Russia has taken over the course of Putin's second term, it has taken a step backward. Greater state control of the economy -- especially in the energy industry, where, according to the Organization for Economic Cooperation and Development (OECD), the state's share of oil production has doubled in three years -- has bred corruption and inefficiency. Serious political opposition has been muzzled. Newspapers and television and radio stations have been shut down or taken over by the government and its allies. Kremlin cronies have replaced elected regional governors, and Russia's parliament, the Duma, has been emasculated as part of the Kremlin's drive to monopolize all state power.

Russia's foreign policy has been equally troubling. Moscow has given Iran diplomatic protection for its nuclear ambitions, and Russian arms sales are promiscuous. The Kremlin has consistently harassed neighboring countries; former Soviet nations, such as Georgia, have faced near economic strangulation. In February, Putin spoke favorably about creating a "gas OPEC."

None of this should be surprising, for Putin's aim has been unvarying from the start of his presidency: restore Russian greatness. Unlike Boris Yeltsin, who accepted dissent as a necessary part of democratic politics -- it was, after all, as a dissenter from Mikhail Gorbachev's rule that he gained the presidency of Russia -- Putin was determined from the outset to curtail

political opposition as an essential step toward revitalizing centralized power. Mikhail Khodorkovsky, of Yukos Oil, for example, is in prison for daring to challenge the Kremlin's authority and perhaps aspiring to succeed Putin. Order, power (including the power to divide the spoils of Russia's natural-resource wealth), and reviving Russia's international influence, not democracy or human rights, are what matter in today's Kremlin.

The backgrounds of the people who make up Putin's government have something to do with this orientation. A study of 1,016 leading figures in Putin's regime -- departmental heads of the president's administration, cabinet members, parliamentary deputies, heads of federal units, and heads of regional executive and legislative branches -- conducted by Olga Kryshtanovskaya, director of Moscow's Center for the Study of Elites, found that 26 percent at some point served in the KGB or one of its successor agencies. Kryshtanovskaya argues that a closer look at these biographies -- examining gaps in resumé, odd career paths, or service in KGB affiliates -- suggests that 78 percent of the top people in Putin's regime can be considered ex-KGB. (The significance of such findings should not be exaggerated: former secret police may hold many of Russia's highest offices, but Russia is not a police state.)

Despite strong economic growth, Russia's domestic problems are awesome. In the long run, the country's systemic weaknesses may prove more disruptive to the world than its revived strength. Alcoholism and a collapsing health system are fueling a demographic catastrophe: the population has been shrinking by 700,000 annually for the past eight years despite the fact that the country's HIV/AIDS epidemic has not yet peaked. Male life expectancy is among the lowest in the world. Most demographers expect that Russia's population will shrink even more dramatically, perhaps to below 100 million people by the middle of the twenty-first century.

Russia's robust growth, moreover, is precarious, because it is based on high oil prices that seem unlikely to last and rising production that clearly cannot be sustained, owing to grossly inadequate investment. Natural resources such as oil and gas are a mixed blessing for Russia, just as they are for other countries. High energy prices and raw material exports have allowed Russia to become the world's tenth-largest economy. Energy exports finance about 30 percent of the Kremlin's budget. But that figure is based on the assumption that oil will remain at \$61 per barrel, which it has already fallen below. Aside from energy, Russian industrial exports primarily consist of armaments, with advanced aircraft accounting for more than half of sales. This lack of economic diversification leaves Russia vulnerable to any downturn in world oil and commodity prices.

Social inequality is vast and growing. Corruption, the OECD reports, is far higher today than it was under Yeltsin. State interference in business decision-making is at its highest level since the end of communism. Moreover, without the rule of law, today's growing middle class will never acquire the confidence it needs to sustain a modern economy. Meanwhile, the insurgency in Chechnya has been met by the Kremlin's local strongman, whose minions openly terrorize, kidnap, and kill opponents. The North Caucasus is a tinderbox. The Russian army is riddled with graft, with officers selling conscripts into virtual slavery. And dangerous new forms of

tuberculosis -- as well as of Islamist extremism among the 17 percent of the Russian population that is Muslim -- are being incubated through neglect.

Throughout the 1990s, it was fashionable to liken Russia to Weimar Germany -- a nation humiliated and shaken to its core by depression and hyperinflation that might fall under the spell of some reckless nationalist. But the defeated Germany of the 1920s was already a modern industrialized state, and the Nazi regime was only possible because it could seize the levers of such a state. These conditions did not exist in Yeltsin's Russia. Corruption and governmental chaos meant that Russia could not mount any sort of serious strategic challenge. But today's oil-fueled revival and the more disciplined government Putin has imposed may allow Russia to mount just such a challenge, particularly where world energy supplies are concerned.

After the Soviet Union's collapse, the West made the mistake of assuming that Russia's reduced status meant it was unnecessary to accord the Kremlin any special diplomatic consideration -- that Russia neither deserved nor should be offered a major role in world affairs. Accordingly, instead of drawing Russia into a network of dialogue and cooperation when it was weak -- and thereby helping it form habits that would carry on when Russia regained strength -- the West ignored Russia. This indifference caused Russia to regard the West's attempts to reassure eastern European countries about their security and place in the West as unfriendly acts, leading to today's problems. Had Russia been handled better in the 1990s -- had its sense of insecurity not been aggravated -- the country's tendency toward expansionism might well have been moderated.

UKRAINE EXPOSED

Ukraine's national experience has taught its citizens to regard peace as fragile and fleeting, its roots too shallow to bear the strain of constant social and political upheaval. We Ukrainians accept the lessons of our history and work toward solutions that relieve the sources of this strain, lest neglect allow war to overtake peace and authority to subvert freedom. This is why we see our future in the European Union: the goal of the EU is to confront instability and insecurity with a lasting structure of peace and prosperity in which all of Europe's nations and neighbors have a stake.

To ensure that Europe's structure of peace is secure in the former Soviet East, a clear understanding of the existing power dynamic is needed. Much like the periods following the treaties of Westphalia and Versailles, the aftermath of the Soviet Union's collapse features a powerful country confronting a group of smaller and unprotected new states. Given the economic and institutional links that arose in the decades of Soviet misrule, Russia's influence in the region was bound to be strong. This is a fact of life that I, as a practicing politician in Ukraine, live with every day. It is a fact with which the EU must come to grips under the current German presidency, by beginning to negotiate a new EU-Russia treaty to replace the one written at the nadir of Russia's power. In the coming months, German Chancellor Angela

Merkel must answer the question of how Europe can forge a lasting and mutually beneficial relationship with the powerful new Russia that has emerged under Putin.

As a convinced European, I support Germany and the EU in this effort. Relations with Russia are too vital to the security and prosperity of all of us to be developed individually and ad hoc. If there is one country toward which Europeans -- and, indeed, the entire West -- should share a common foreign policy, it is Russia. With high world energy prices allowing Russia to emerge from the trauma of its postcommunist transition, now is the time for a clear-sighted reckoning of European security in the face of Russia's renewed power. Relying on Russia's long-term systemic problems to curb its pressure tactics will not prevent the Kremlin from reestablishing its hegemony in the short run.

Moreover, now is a moment of maximum flexibility, because dependence on Russian energy supplies will only continue to grow. Indeed, a recent Center for Strategic and International Studies report estimates that Germany will depend on Russia for 80 percent of its gas imports -- compared with 44 percent today -- once the proposed trans-Baltic pipeline is completed. Unfortunately, political leaders usually have the least idea of what to do when the scope for action is greatest. By the time they have a better idea, the moment for decisive and effective action may have passed. In the 1930s, for example, the French and British governments were too unsure of Hitler's objectives to act. But their obsession with Hitler's motives was utterly misguided. Realpolitik should have taught them that Germany's relations with its neighbors would be determined by relative power, not German intentions alone. A large and strong Germany bordered to the east by small and weak states would have been a threat no matter who ruled in Berlin. The Western powers should thus have spent less time assessing Hitler's motives and more time counterbalancing Germany's strength. Once Germany rearmed, Hitler's real intentions would be irrelevant. This was Winston Churchill's message throughout his "wilderness years." But instead of heeding Churchill, the British and the French continued to treat Hitler as a psychological problem, not a strategic danger -- until it was too late. What matters in diplomacy is power, not the state of mind of those who wield it.

For most of the past 15 years, the response to Russian actions by the United States and Europe has been driven by their perceptions of Russian reform. Western policy seems to be based on the premise that peaceful evolution can be ensured by democracy and by concentrating Russia's energies on developing a market economy. Western diplomacy has thus seen its main task as strengthening Russian reform, with the experience of the Marshall Plan rather than the traditional considerations of foreign policy in mind.

But a far more important factor than reform is Russia's attempt to restore its preeminence in the territories it once controlled. The Russia that emerged from the collapse of the Soviet Union on Christmas Day 1991 came with borders that reflect no historical precedent. Accordingly, Russia is devoting much of its energy to restoring political influence in, if not control of, its lost empire. Alongside this effort has come a shift of Russia's focus eastward, making it a more active participant in the dynamic Asia created by China's rise.

In the name of peacekeeping in places such as Abkhazia, South Ossetia, and Trans-Dniestria (restive regions within former Soviet republics), Russia has sought to reestablish its tutelage, and the West has largely not objected. The West has done little to enable the Soviet Union's successor states -- with the exception of the Baltic nations of Estonia, Latvia, and Lithuania -- to achieve viable international standing. The activities of Russian troops in Belarus, Georgia, Moldova, Ukraine, and the former Soviet states of Central Asia are rarely questioned, let alone challenged. Moscow is treated as the de facto imperial center -- which is also how it conceives of itself.

THE RUSSIA QUESTION

What can the West do to dissuade the Kremlin from pursuing Russia's age-old imperial designs? In the 1990s, an enfeebled Russia needed help from abroad. Unless oil prices unexpectedly collapse, no such leverage will be available in the near future. On the contrary, political pressure from outside is likely to aggravate rather than change Russian behavior. With the Kremlin once again firmly in control, Russia will change from within -- or not at all.

That is not to say, however, that the United States and the rest of the West can have no influence. Putin, like Russian leaders before him, is sensitive to outside criticism, as demonstrated by the Kremlin's paranoid desire to curtail the activities of nongovernmental organizations within Russia, particularly those with foreign backing. Outsiders must be willing to criticize his misdeeds while trying to avert the emergence of a leader even more assertive than Putin. Maintaining this balance will be hard. Yeltsin was gifted at deflecting international skepticism about his rule by portraying himself as the last bastion against a communist revival; Putin also relies on promoting that type of better-the-devil-you-know thinking.

Western leaders should speak out against any moves away from democracy, Putin's policy in Chechnya, and his use of energy to bully Russia's neighbors. (Many western European countries have been far too circumspect in their criticism and too anxious to make separate deals that will supposedly guarantee their national supplies of energy.) As the Russian presidential election in March 2008 approaches, the West must insist, beginning now, that amending the constitution to allow Putin to run again is unacceptable and could result in Russia's expulsion from the G-8 (the group of advanced industrialized nations). Western leaders should press for free and fair elections, even if the Kremlin's handpicked candidate is almost sure to win.

A realistic Russia policy would also recognize that even Yeltsin's reformist government stationed Russian troops in most former Soviet republics -- all members of the United Nations -- often against the express wishes of the host governments. These forces participated in several of these republics' civil wars, even as successive Russian foreign ministers have put forth the concept of a Russian monopoly on peacekeeping -- essentially Russian domination -- in what

the Kremlin calls "the near abroad." Russia has legitimate security interests in its neighborhood. But Europe's peace and international stability require that these interests be satisfied without Russian military or economic pressure or unilateral intervention. For example, Russia must not be permitted to use Kosovo's gaining its independence from Serbia as a precedent for promoting secessionist movements in Abkhazia, Nagorno-Karabakh, South Ossetia, Trans-Dniestria, and, most important, Crimea, in an attempt to destabilize the national governments. The short-term prospects for peace depend on whether Russian military forces can be induced to return home and stay there. Russia's relations with the Soviet successor states must be thought of as an international problem, subject to the accepted rules of foreign policy, rather than as solely Russia's problem, subject to unilateral decision-making that the West can hope to influence only by appealing to the Kremlin's goodwill.

The West must seek to create counterweights to Russia's expansionism and not place all its chips on Russian domestic reform. Such a policy would divide the risks of any possible energy blockade equally among all Europeans, rather than having governments make separate deals that leave others vulnerable to energy blackmail. Of course, not every European nation has the same interest in resisting any particular act of aggression, and so there will not always be agreement on when and how to oppose Russian assertiveness. Some nations may balk at taking action on issues they feel do not immediately concern them. But the principle of collective security, which has ensured Europe's peace and prosperity since 1945, must continue to be pursued. Merkel's proposal to create a "collective energy market," which she made during a summit with Poland's prime minister last November, is a good start toward building a pan-European energy security policy that includes Russia.

PIPELINE POLITICS

One key question is just how reliable the Russian energy supply really is. Despite having the world's largest gas reserves, Russia now faces a domestic shortage of gas. Gazprom, the country's dominant gas supplier (which, when it comes to foreign policy, doubles as an arm of the Kremlin), is not producing enough for an economy growing at more than six percent a year. Production from Gazprom's three biggest gas fields, which account for three-quarters of its output, is in steep decline. The one large field that the company has brought on-stream since the end of the Soviet era is reaching its peak. Overall gas production is virtually flat.

According to the Institute of Energy Policy, in Moscow, Gazprom's capital investments in new gas production in the years 2000-2006 were one-quarter the size of its investments in other activities: media companies, banks, even chicken farms, as well as its downstream investments in western Europe's energy networks. Despite the enormous revenues to be gained from the new production of gas, Gazprom rarely attempts to find or produce more. As a result, it is unable to come up with enough gas to meet internal demand and its export obligations.

After more than ten years of delay, Gazprom has decided to develop a big field on the Yamal

Peninsula -- a barren and barely accessible region in the Arctic. But the earliest that gas from Yamal will reach the market is 2011. Meanwhile, demand for gas -- from RAO Unified Energy System of Russia (UESR), Russia's electricity monopoly, as well as from expanding industrial companies and households -- is growing by about 2.2 percent annually, according to a recent report by the investment bank UBS. "The risk of supply crisis is real," the report noted, if growth in demand accelerates to 2.5 percent.

The impending shortage means that Gazprom will not be able to increase gas supplies to Europe, at least in the short term -- something that European countries should be aware of and concerned about. This may explain why Gazprom abandoned its plan to send gas from the Shtokman field, in the Barents Sea, to the U.S. market as liquefied natural gas and diverted it to Europe instead. The decision, initially interpreted as a move intended to irk Washington, may actually have been a sign of desperation: sending Shtokman gas to Europe would free up Siberian output for domestic consumption.

The problem, of course, is not a lack of gas -- Russia has 16 percent of the world's total known reserves -- but Gazprom's investment strategy. Over the past few years, the company has spent vigorously on everything but developing its reserves. It has built a pipeline to Turkey, taken over an oil company, invested in UESR, tried to gain footholds in European distribution markets, and become Russia's biggest media company. All this was done in the name of creating and sustaining a "national energy champion." Yet investment in Gazprom's core business was grossly inadequate.

There is another problem facing Gazprom: the actual engineering costs of developing new gas fields in Russia. In the Shtokman gas field and on the Yamal Peninsula, in particular, the engineering costs, including the cost of transporting the output to Europe, are twice as high as for new gas fields in North Africa and the Middle East. The international gas market is already beginning to recognize this, and, over the long term, it could be enormously dangerous for Russia. Indeed, Russia may actually be putting itself out of the gas business, because high engineering costs for new projects in Russia are signaling to the market that Russia and Gazprom lack the capacity to develop these fields. Western companies could come in and do the job, but given the Kremlin's recent usurpation of Shell's investments on Sakhalin Island, these companies would be remiss in their fiduciary duties if they undertook such investments.

The only way to avoid a crisis is to break Gazprom's monopoly on pipeline infrastructure and to license independent gas producers. Independent producers already account for 20 percent of domestic gas sales in Russia and are boosting their output. Further gains would require market-based incentives. Europe can help by explicitly linking its acceptance of Russia's WTO membership to Russia's ratification of the Energy Charter and its attendant Transit Protocol, which would guarantee access to Russian pipelines for Gazprom's competitors.

Any worthwhile energy security policy for Europe would also seek to loosen Gazprom's

monopolistic grip on the pipelines. European competition policy, which has successfully brought companies as big as Microsoft into line, could -- if used skillfully -- also help turn Gazprom into a normal competitor. Establishing an independent regulator, as Russian Economy Minister German Gref has suggested, would also be an important step toward splitting Gazprom into a pipeline operator and a production company. But Putin has vehemently rejected such a move. Thus, he now faces a choice between domestic gas shortages that threaten to slow economic growth and losing the Kremlin's "national energy champion."

Beyond tackling Gazprom's monopolistic power, a realistic energy policy for Europe would also seek to share the risks of any possible energy blockade equally among all Europeans, rather than allowing separate deals that leave others vulnerable to energy blackmail. Such a policy would need to incorporate a consensus that no country could reach a deal with Gazprom that undercuts EU plans to help construct pipelines from Central Asia that bypass Russia. Another counterweight could be built through trade. By extending the single market eastward to include Ukraine, the EU would shift the center of gravity for the region's trade relations. Today's negotiations over a "deep free trade agreement" between Ukraine and the EU need to lead, eventually, to an agreement that will give Ukraine candidate status for EU membership.

A NORMAL COUNTRY

The West should support Russia when it pushes for democracy and free markets but bolster the obstacles to its imperial ambitions. Indeed, Russian reform will be strengthened if Russia is encouraged to concentrate -- for the first time in its history -- on developing its national territory, which sprawls over 11 time zones from St. Petersburg to Vladivostok, leaving no rational cause for claustrophobia.

It does Russia no good to be treated as if it were immune from the normal considerations of foreign policy; treating it so will only force Russia to pay a heavier price later on, by luring it into taking steps from which it cannot easily retreat. The West should not fear frank discussions about where its interests and Russia's converge and diverge. Western leaders should not hesitate to insist that signed agreements, such as those to withdraw troops now stationed in the countries of the former Soviet Union, be fully honored. Realistic dialogue will not unhinge the leaders in the Kremlin. They are smart and can readily grasp a policy based on mutual respect. In fact, they are likely to understand such a calculus better than appeals to goodwill and friendship.

Two objectives must be kept in balance when dealing with Russia: influencing Russian attitudes and affecting Russian calculations. Russia should be welcomed in institutions and agreements that foster cooperation -- most important, Europe's Energy Charter and the Transit Protocol, with their reciprocal rights and responsibilities. But Russia's reform will be impeded, not helped, if the West turns a blind eye to its imperial pretensions. The independence of the republics that broke away from the Soviet Union, including Ukraine, must not be tacitly

downgraded by the West's acquiescence to Russia's desire for hegemony.

Ukraine can help Europe and the United States create a viable structure within which Russia can exist securely. Our destiny is to be neither a forgotten borderland nor a bridge between the so-called post-Soviet space of "managed democracy" and the real democracies of the West. By strengthening our independence, we can shape Europe's peace and unity as we roll back the crony capitalism and lawlessness that are now the norms of the post-Soviet world. During my premiership, we sought to achieve just that, working with Moldova and Romania to standardize the region's customs regimes and thereby crack down on criminal enterprises in the breakaway region of Trans-Dniestria (which is trying to secede from Moldova only because of Russian support).

We acted in concert with our neighbors because we know that self-determination does not mean isolation. Achieving national independence today means having a new status, not withdrawing from the world scene. New nations can build with their former occupiers the same kind of fruitful relationship that France now has with Germany -- a relationship founded on equality and mutual interests. That is the relationship I seek with Russia, and that is how Ukraine can help extend the zone of Europe's peace.

The real test of statesmanship is the ability to protect one's country against unfavorable and unforeseen contingencies. The fatal flaw in Russia's current oil- and gas-powered assertiveness is that the leaders in the Kremlin have lost their sense of proportion. Today's budget surpluses have allowed them to overestimate the extent of Russia's economic renewal, and they seem to have forgotten that by bullying their immediate neighbors they are also sending shock waves across the entire West. Of course, the Kremlin leadership will find it hard to admit that the centralized system that it is re-creating lacks the capacity to spur initiative, that Russia, despite its vast natural resources, remains a very backward country. The subservience that the Kremlin demands is stifling the vitality and creativity that Russia needs if it is to grow for the long term, let alone sustain its place in the world.

Russia will damage its own interests if it turns down serious U.S. and European offers to participate on an equal basis in the structures of European and Middle East security. Failure to cooperate sincerely on energy security would eventually isolate Russia in the face of serious strategic challenges to its south and east; it would deprive Russia of all but the crudest methods of influence.

Russia's leaders deserve understanding for their anguished struggle to overcome generations of Soviet misrule. They are not, however, entitled to being handed the sphere of influence that tsars and commissars coveted for 300 years. If the West, particularly Europe, is to ensure its economic prosperity and energy security, it must be ready to demand of Russia what Russia has so far been unwilling to provide. And if Russia is to become a serious partner for the West, it must be ready to accept the obligations of stability as well as its benefits.